

higher frequency of coin collection trips. We therefore attribute coin collection costs solely to coin calls" (§§75).

Second, the Commission found a significant category of costs that are not avoided by the elimination of any call type. These costs are properly attributable to all services provided via the common facility: "we consider a cost to be 'joint and common' if the amount of the cost does not vary with respect to the mixture of calls at the payphone. For example, the cost of a payphone's enclosure does not change due to an increase in the number of coin calls relative to coinless calls, or *vice versa*. We conclude, therefore, that the enclosure is a joint and common cost, and we attribute the enclosure costs to all types of calls" (§§75).

Costs incurred by IPSPs to operate inmate phones fall into each of these categories. Local usage costs, for example, are incurred only when a local call is made (and are avoidable if no local calls are made). As a result, these costs are treated as service-specific. Other costs associated with the placement and operation of a confinement facility payphone do not vary with the mixture of call types, and have been treated as fixed "joint and common" costs in this study.¹¹

C.5 COSTS TO BE INCLUDED

Service Specific

Local usage costs are treated as service-specific in this study. This treatment is consistent with that of the Commission in the *Third Report and Order*. "In areas where LECs offer only measured service, only the flat monthly fee is a joint and common cost, because the flat fee does not change as the mix of calls moves from coinless calls towards coin calls. The measured service charges, however, which apply to only certain local coin calls, are attributable to those coin calls" (§§172).¹² In the context of inmate phones, the local calls to which LEC local usage charges apply are made on a coinless basis. The underlying logic still holds, however, and these charges are treated as attributable to the local calls that cause them to be incurred.

Because these costs are usage-sensitive, they have been included in the study on a per-unit basis, and have not been treated as part of the fixed costs that must be allocated among services.

¹¹ No costs that are specific to other (non local) call types made from inmate phones have been included in the calculation of local call costs.

¹² The Commission also concluded that in those areas in which the LEC gives the PSP a choice between a flat rated and measured service, "the fixed fee that payphone owners pay for a measured service line would be joint and common" (§§173). Line rates paid by IPSPs have been treated in a consistent manner.

Non Service Specific

Consistent with the Commission's observations in the *Third Report and Order*, the majority of the costs associated with the placement and operation of an inmate phone are treated in this study as fixed with regard to both the volume of traffic and the mixture of services. The categories of cost included are the same as those identified by the Commission: line charges paid to the LEC¹³ (§§31, 171-174,); capital costs associated with equipment, including depreciation and a fair return (§§31, 165, 168,); taxes (§167); operating expenses, including repair and maintenance (§§31, 175, 177-179,); billing and collection (§§163-164)¹⁴; uncollectibles and unbillables¹⁵ (§§160-162); and overhead, or SG&A¹⁶ (§§31, 178, 179). In addition to these categories, payphones at confinement facilities require the use of a LIDB-based call validation service. These charges are non service-specific, and have been included in this study at the level set forth in the applicable LEC tariffs.¹⁷

Non Service-Specific costs that are incurred on a usage-sensitive basis have been treated accordingly, while those non service-specific costs that are not usage-sensitive have been treated as part of the fixed costs to be allocated among services.

C.6 USE OF A MARGINAL LOCATION ANALYSIS

Rationale

Because of the service and volume insensitivity of certain costs, the calculation of per-call costs is sensitive to the number of calls assumed for the location to be studied. In the *Third Report and Order*, the Commission considered three scenarios: "In the first scenario, a premises owner is willing to pay its LEC PSP to

¹³ This category includes only flat rated monthly charges or the fixed monthly component of a measured service charge, whichever is applicable for a given location.

¹⁴ The Commission concluded that it had insufficient data to treat any portion of billing and collections costs as service-specific, and elected to treat all billing and collection costs as fixed (§164). This study likewise treats billing and collection costs as fixed with regard to the mix of call types.

¹⁵ The Commission elected not to include a cost associated with bad debt in its dial-around compensation calculation because it found "insufficient information on the record to account for the costs relating to bad debt" (§160), but did not conclude that it would be conceptually inappropriate to include this category of costs, and invited parties to supplement the record via a petition for clarification. We have included in this study only those uncollectibles and unbillables that can be fully documented.

¹⁶ The Commission included legal support, rent, advertising, administrative costs, salaries, and management costs in this category (§134, 178).

¹⁷ In the *Third Report and Order*, the Commission found LEC tariffs to be a reliable source for comparable costs (§138).

Inmate Phone Local Call Cost Study

install a payphone on its property, even though the payphone does not generate sufficient revenue to pay for itself. In the second scenario, the payphone on the premises owner's property generates sufficient revenue to pay for itself. This premises owner need not pay the LEC PSP for the operation of the payphone, but the LEC PSP may not generate enough revenue from the payphone operation to pay the premises owner a location payment. In the third scenario, the payphone generates revenue sufficient for the premises owner to require the LEC PSP to pay a location rent" (§146).

The Commission elected to use the second (marginal location) scenario for two reasons. First, basing per-call costs and compensation levels on the number of calls at a marginal location will give PSPs an opportunity to recover their costs, including a normal return on the assets used (§139). Second, while the use of a marginal location does not ensure that all payphone locations will be profitable,¹⁸ it is consistent with Congress's stated objective of ensuring widespread deployment of payphones: "if we were to base the default compensation amount on the average payphone location, many payphones would become unprofitable and exit the industry. We therefore conclude that we should use the marginal payphone location when establishing the default compensation amount" (§141). The Commission determined that a limited number of payphone locations would be unprofitable if per-call compensation is based on a marginal location analysis, and concluded that a calculation of per-call costs based on the volume of calls at a marginal location "should promote the continued existence of the vast majority of payphones" (§159).

The Commission's marginal location analysis is applied in this cost study.

Method of Identification

The Commission defined a marginal location as one in which a PSP is able to recoup its costs, including a fair return on investment, but generates insufficient revenue to provide for a commission payment to the location owner.¹⁹ To begin this cost study, we collected information related to several confinement facility locations in which no commission is being paid to the location owner. These "zero commission" locations vary in terms of size (number of lines), average call volumes (monthly calls per line), and type of equipment used. By evaluating

¹⁸ Specifically, the Commission concluded that "our approach is not designed to make every payphone profitable. Payphones with sufficiently low call volumes or sufficiently high costs will not be profitable, regardless of the compensation amount we establish" (§179). Conversely, payphones with higher call volumes may prove to be more profitable: "where different locations have different levels of demand, some payphones will be more profitable than others. Moreover, no level of regulation (except possibly confiscatory taxation) could eliminate these profits. Thus, the existence of some payphones that earn positive profits does not mean that the market necessarily should be regulated" (§138).

¹⁹ §139.

different scenarios, we have reflected the expected geographic differences in cost (§§113) as well as the use of different equipment (§§149).

Rejection of Other Approaches

In the *Third Report and Order*, the Commission rejected a proposal to base fair compensation to PSPs on an assumed “maximally efficient payphone provider” (§§112-113). Our review of the costs associated with different locations supports the Commission’s conclusion at that time that reported cost differences reflect differences in geographic areas and equipment specifications.

Locations Identified

As shown in the **Results** section (Tab B), our analysis initially began with a larger number of locations that were ultimately used in the cost calculations. Locations with very low call volumes were eliminated from the marginal category, based on the Commission’s conclusion in the *Third Report and Order* that some high cost locations would not be compensatory if rates are established based on a marginal analysis. The elimination of these high cost locations resulted in a reduction in the cost calculated for marginal locations.

Locations with higher numbers of lines and/or higher numbers of calls per line were also studied but not included in the set of marginal locations used to calculate costs because IPSPs pay a commission at these locations. Costs associated with these locations were used to determine the amount of commission that an economically rational IPSP would be willing to pay to a location owner.

The analysis of high and low cost locations, in addition to the marginal locations used to produce the results of the study, confirms our conclusion that both the number of lines and the number of calls per line represent the primary cost drivers for this service.

D. ANALYSIS

D.1 DATA SOURCES AND RELIABILITY

In order to calculate a rate for “dial around” compensation in the *Third Report and Order*, the Commission relied on data submitted by PSPs if that information was sufficiently documented. For example, equipment costs reported by PSPs were utilized in order to accurately reflect the fact that these costs can vary significantly by location:²⁰ “Because payphones serve a wide variety of locations, we find that the capital cost data from actual payphone operations will better reflect a PSPs actual costs” (§135). A number of inputs to this cost study are based on actual IPSP data where such data could be fully documented.

For other costs, the Commission relied on the LEC’s tariffed rates (§138). This cost study utilizes LEC billed amounts for costs associated with LEC charges.

In contrast, the Commission specifically rejected embedded costs (§§130, 134) and costs based on the costs incurred by companies providing non-payphone services (§135). This study utilizes forward-looking inputs and IPSP-specific data.

D.2 SERVICE-SPECIFIC COSTS

Usage Sensitive Costs

D.2.1 Local Usage

Usage data is collected and reported on a monthly basis. This information is used to determine the total number of local minutes and total number of local calls per month. In order to eliminate any data anomalies that might be associated with a single month, information from the most recent three months is averaged for both minutes and calls. Total minutes are then divided by total calls to develop an average call length in minutes.

Local service charges, per minute, are then calculated based on tariffed LEC rates and a typical mix of peak and off-peak calls for that LEC. For example, Sprint bills indicate a typical local usage mix of 47% peak and 53% off-peak. Because LEC local usage rates have a separate rate for the first and additional minutes, the average call length is used to develop an average cost per minute.

D.2.2 Unbillable – not accepted

²⁰ See Section D.3 for an analysis of equipment costs at different locations.

Inmate Phone Local Call Cost Study

An adjustment is made for a specific category of unbillable calls. Information collected shows that for each inmate collect call that is actually "answered and accepted", there is also one call that is "answered and not accepted". "Answered and not accepted" normally means that the call was answered by an answering machine, triggering the automated system to consider the call answered, thus delivering the automated message announcing the call and asking for positive acceptance. Since an answering machine cannot positively accept the call, the system will "time out" and disconnect the call. While these calls are not billed to the end user, the IPSP is billed for the first minute increment by the underlying carrier (in this case the LEC). This means that, on average, for each call that is actually answered and accepted the IPSP is billed for one minute of local usage associated with an "answered and not accepted" call. In order to reflect these additional costs, the workpapers calculate the cost of a one minute call²¹ and report that cost as the cost, per call, of unbillable – not accepted calls.

In order to calculate the total monthly cost of local usage, the average length of call is multiplied by the average cost per minute. The unbillable – not accepted adjustment described above is then added, and the result is multiplied by the average number of calls per line.²²

D.3 NON SERVICE SPECIFIC COSTS

D.3.1 Local Service Line Charges

Local Service Charges are based on actual (billed) Local Exchange Carrier fees for a payphone line, including basic line charges, End User Common Line Charge (EUCL), Primary Interexchange Carrier Charges (PICC), blocking and screening, Relay (TRS) and 911 fees. For areas in which Local Measured Service is used, only the line portion of the charge is used.

D.3.2 Equipment Costs

Equipment costs are a function of the acquisition cost of the equipment, the useful life, and a fair return on investment.

Acquisition costs are based directly on vendor bids and invoices. Only current equipment prices have been used in order to assure that only forward-looking costs have been represented. Acquisition costs are directly impacted by the functionality required by the operator of the confinement facility. A review of

²¹ To calculate the cost of a one minute call, we used the tariffed LEC rates for local usage and the typical mix of peak and off-peak traffic for that LEC.

²² Calls that are unbillable – not accepted are removed from the total in order to avoid double-counting.

recent Requests for Proposals ("RFPs") indicates that facility operators are requiring increased monitoring capabilities and other related features. The equipment acquisition costs used in the study reflect the minimum requirements set forth in these RFPs. This ensures that costs are forward-looking.

D.3.3 Depreciation

The useful life of an investment is directly impacted by two constraints. First, the investment can be consumed or rendered unusable by wear and tear. This constraint is typically the limiting factor in the useful life of a durable asset in a stable industry. Second, the useful life of an investment can be limited because of technological changes that render the asset obsolete.²³ This constraint is typically the limiting factor in the useful life of a technology-based asset (such as computers), or assets utilized in an industry characterized by rapid change in the functionality required by customers.

Vendor bids and invoices indicate that the primary investment for an IPSP consists of the computer processing equipment that provides the functionality demanded by the operators of confinement facilities and regulators. In contrast, the basic phone units represent a minor portion of the investment for a given location.

The automated call processing equipment²⁴ has proven to be subject to technical obsolescence as the demands of confinement facility operators and regulators change. Because of these changes, IPSPs are usually required to recover their investment over the term of the contract with the confinement facility operator. These contracts range in length from three to five years. As a conservative assumption, a useful life of five years has been used in the study for this equipment. The IRS (publication number 946) also supports the use of a five year depreciable life for computer equipment.

D.3.4 Return on Investment

Return on Investment should be representative of a normal economic profit on the capital investments made in order to provide the service. When this return on investment is included in the cost calculation,²⁵ a rate set equal to the calculated cost would permit the provider to receive a fair return on investment.

²³ An asset can become obsolete either because it is incapable of performing a newly demanded function, or because it no longer represents an efficient method of providing required functionality.

²⁴ This equipment is comparable to a personal computer.

²⁵ The Commission has historically required this treatment of return on investment in cost studies conducted by the LECs, and adopted this approach when calculating costs to support its rate for dial-around compensation.

Inmate Phone Local Call Cost Study

While available financial data strongly suggests that the operation of an IPSP carries more financial risk than the operation of a Tier 1 Local Exchange Company, a cost of capital of 11.25% is utilized in this study. This is the value used by the Commission to calculate costs in the *Third Report and Order*.

The monthly amount needed to recover the IPSP's return of capital (depreciation) and return on capital (ROI) is calculated on the Return on Investment & Depreciation worksheet section D.5. The methodology utilized is identical to that used by the Commission when calculating these costs in the *Third Report and Order*.

D.3.5 Taxes

A composite local, state, and federal tax rate of 39.25% is used. This is the value used by the Commission in the *Third Report and Order*.

D.3.6 Operating Expenses – Repair and Maintenance

Actual booked expenses for 2001 are used to develop these costs. Salaries and expenses are allocated to geographic operational areas (states) based on the percentage of time each employee worked in that area during 2001. The total amount of salaries and benefits attributable to a given state is then expressed on a monthly basis and divided by the number of inmate lines in that state to develop a per line cost.

Supplies and other miscellaneous expenses are attributed to each state based on the percentage of work time reported for that state, expressed on a monthly basis, and divided by the number of inmate lines in that state to develop a per line cost.

D.3.7 Validation

Validation charges are taken directly from provider invoices. The validation charge consists of both LIDB Gateway Service and LIDB Access. Invoices for validation charges are included in the Supporting Documentation section (Tab E).

For each completed call, on average three validation charges are incurred. A LIDB data dip is conducted to ensure that the called number is billable prior to the call attempt being made. Available data indicates that local call attempts result in a roughly equal number of completed calls (answered and accepted), calls that are answered but not accepted, and calls for which there is no answer. Since only calls that are answered and accepted are billable, the total validation cost is expressed on a per-completed call basis.

D.3.8 Billing and Collection

Billing and Collection Fees are based directly on LEC tariffs. Billing and collection fees include a bill rendering fee (charge for including records in LEC customer's bill, regardless of number of records) and a per message fee (Based on the number of records on each customer's bill). A review of billing records indicates that an average of 7 collect calls appear on each bill rendered. In order to calculate a monthly cost of billing and collection, the workpapers multiply the number of calls subject to a billing and collection charge times the sum of (1) the per-message charge and (2) one seventh of the per-bill charge.

D.3.9 Uncollectibles

Uncollectibles are calculated based on year 2001 billing records. Bad debt, as a percentage of billable calls (those for which the IPSP expects to receive revenue) is calculated on a LEC-specific basis. This percentage is then applied to the sum of other costs (as a proxy for revenue)²⁶ in order to calculate a monthly cost associated with uncollectibles.

D.3.10 Sales, General, and Administrative (SG&A)

The SG&A costs included in the study include the cost of IPSP-specific support requirements, including database management, fraud investigation and traffic analysis, fraud investigation blocking, facility support, customer support, and billing and collection support.

The total amount of these expenses from IPSPs' books of account serves as the starting point for this calculation. Expenses that are service-specific and unrelated to inmate phones are then removed, as are contributions, gifts, and legal expenses. The remaining costs are then reduced further in order to remove the pure SG&A costs that are reasonably attributable to other services. This reduction is made based on the dollars of revenue (booked) that are received from the operation of inmate phones versus the dollars of revenue received from other services. These remaining costs are restated as a monthly, rather than annual, amount, and divided by the total number of inmate lines to calculate the SG&A per line cost used in the study.

²⁶ This methodology assumes that the per-call rate is set at a level equal to the total cost, including a fair return, for that call. Such an approach is consistent with the approach used by LECs in cost studies that have been reviewed and accepted by the Commission.

D.4 Billable Call Calculation

In order to accurately calculate a cost per call for a given location (monthly location costs per line divided by the number of calls per line), it is necessary to ensure that the number of calls used in the denominator of the calculation represents calls for which the IPSP can ultimately render a bill to the end user and expect to receive revenue.²⁷

As described in section D.2, an IPSP may be unable to bill for a given call attempt because it is not accepted by the called party. For those calls that are answered and accepted, the call is treated as billable and sent to the LEC for billing to the end user. Calls submitted to the LEC may not ultimately be billed, however. Some calls may be returned by the LECs as unbillable (code 50 rejects), and Post Billing Adjustments made by the LECs reduce the number of calls for which the IPSP can expect payment. An adjustment for LEC returned and PBA calls is developed from records and applied to the number of calls per line. The resulting value represents the average number of calls per line, per month, for which the IPSP can expect to receive payment.²⁸ Fixed costs are allocated using this call count.

²⁷ As described in section D.3, the bill is ultimately rendered by the LEC on the IPSP's behalf.

²⁸ An expectation of payment does not guarantee that payment will be made. Uncollectibles are calculated as a percentage of the "number of calls for which the IPSP can expect to receive payment, and not the higher number of calls before adjustments for unbillables have been made.

D.5 WORKPAPERS

The following workpapers were used to calculate local per-call costs by location. An electronic copy of these workpapers, showing all formulae and references, is also provided.

Inmate phones - County Jail Facilities

Local Call Cost Study

Results - Marginal locations

Weighted Average by # of lines

Avg. Fixed Cost per Call	Avg. Incremental Cost per Call	Avg. Per- Call Cost of Local Call
\$ 1.91	\$ 0.53	\$ 2.44

Inmate phones - County Jail Facilities
Local Call Cost Study
Results - All locations

Location	Fixed Costs per Line	# of lines	Avg billable calls per line	Fixed Cost per call	Incremental Cost per call	Total cost per call
Location A	\$ 433.28	5	390	\$ 1.11	\$ 0.64	\$ 1.75
Location B	\$ 429.52	3	41	\$ 10.48	\$ 0.51	\$ 10.99
Location C	\$ 610.39	2	232	\$ 2.63	\$ 0.55	\$ 3.19
Location D	\$ 748.18	1	104	\$ 7.19	\$ 0.46	\$ 7.65
Location E	\$ 328.97	20	225	\$ 1.46	\$ 0.33	\$ 1.79
Location F	\$ 441.18	5	420	\$ 1.05	\$ 0.64	\$ 1.69
Location G	\$ 482.35	4	347	\$ 1.39	\$ 0.53	\$ 1.92
Location H	\$ 506.39	3	459	\$ 1.10	\$ 0.56	\$ 1.66
Location I	\$ 412.79	4	77	\$ 5.36	\$ 0.65	\$ 6.01
Location J	\$ 560.61	2	106	\$ 5.29	\$ 0.64	\$ 5.93
Location K	\$ 538.19	2	232	\$ 2.32	\$ 0.53	\$ 2.85
Location L	\$ 848.79	1	229	\$ 3.71	\$ 0.50	\$ 4.21
Location M	\$ 401.88	12	326	\$ 1.23	\$ 0.64	\$ 1.87
Location N	\$ 953.84	1	284	\$ 3.36	\$ 0.56	\$ 3.92
Location O	\$ 531.59	3	263	\$ 2.02	\$ 0.56	\$ 2.58
Location P	\$ 614.46	2	295	\$ 2.08	\$ 0.55	\$ 2.64
Location Q	\$ 626.62	2	348	\$ 1.80	\$ 0.53	\$ 2.33
Location R	\$ 437.05	6	97	\$ 4.51	\$ 0.33	\$ 4.83

Weighted Average by # of lines

\$ 2.97

Inmate phones - County Jail Facilities

Local Call Cost Study

Results - High Cost locations

Location	Fixed Costs per Line	# of lines	Avg billable calls per line	Fixed Cost per call	Incremental Cost per call	Total cost per call
Location B	\$ 429.52	3	41	\$ 10.48	\$ 0.51	\$ 10.99
Location D	\$ 748.18	1	104	\$ 7.19	\$ 0.46	\$ 7.65
Location I	\$ 412.79	4	77	\$ 5.36	\$ 0.65	\$ 6.01
Location J	\$ 560.61	2	106	\$ 5.29	\$ 0.64	\$ 5.93
Location R	\$ 437.05	6	97	\$ 4.51	\$ 0.33	\$ 4.83

Weighted Average by # of lines

\$ 6.59

Inmate phones - County Jail Facilities

Local Call Cost Study

Results - Marginal locations

Location	Fixed Costs per Line	# of lines	Avg billable calls per line	Fixed Cost per call	Incremental Cost per call	Total Per Call Cost of Local Call
Location A	\$ 433.28	5	390	\$ 1.11	\$ 0.51	\$ 1.62
Location C	\$ 610.39	2	232	\$ 2.63	\$ 0.55	\$ 3.19
Location G	\$ 482.35	4	347	\$ 1.39	\$ 0.53	\$ 1.92
Location K	\$ 538.19	2	232	\$ 2.32	\$ 0.53	\$ 2.85
Location L	\$ 848.79	1	229	\$ 3.71	\$ 0.50	\$ 4.21
Location N	\$ 953.84	1	284	\$ 3.36	\$ 0.56	\$ 3.92
Location O	\$ 531.59	3	263	\$ 2.02	\$ 0.56	\$ 2.58
Location P	\$ 614.46	2	295	\$ 2.08	\$ 0.55	\$ 2.64
Location Q	\$ 626.62	2	348	\$ 1.80	\$ 0.53	\$ 2.33

Weighted Average by # of lines

\$ 2.44

Inmate phones - County Jail Facilities

Local Call Cost Study

Results - Potential Commission locations

Location	Fixed Costs per Line	# of lines	Avg billable calls per line	Fixed Cost per call	Incremental Cost per call	Total cost per call	Economically rational commission % ¹
Location E	\$ 328.97	20	225	\$ 1.46	\$ 0.33	\$ 1.79	27%
Location F	\$ 441.18	5	420	\$ 1.05	\$ 0.64	\$ 1.69	31%
Location H	\$ 506.39	3	459	\$ 1.10	\$ 0.56	\$ 1.66	32%
Location M	\$ 401.88	12	326	\$ 1.23	\$ 0.64	\$ 1.87	23%

Weighted Average by # of lines

\$ 1.79	26%
----------------	------------

¹ Assuming per call rate set equal to per call cost at marginal location.

Inmate phones - County Jail Facilities
Local Call Cost Study
Location A

Fixed Costs	Cost per Line	Source
Local Service Charges - monthly line charge	\$ 52.03	Input A Ln 1
Maintenance & Repairs	\$ 49.14	Calculated from information provided by IPSPs
Equipment Depreciation	\$ 65.68	Pursuant to methodology set forth in Third R&O
Sales, General & Administration (SG&A)	\$ 107.61	Calculated from information provided by IPSPs
Return (normal profit)	\$ 101.19	Pursuant to methodology set forth in Third R&O.
<i>Subtotal</i>	<u>\$ 375.66</u>	
Commission	\$ -	
Uncollectibles %	\$ 57.63	Total fixed cost * Input A Ln 17
<i>Total Fixed Costs per Line</i>	<u>\$ 433.28</u>	Subtotal / (1 - Input A, Ln 16 & Ln 17)

Incremental Cost	Cost per Billable Call	
Non-Service Specific		
Billing & Collection Fees	\$ 0.28	Input A (Ln 9 * Ln 8a) / Ln 8d
Validation	\$ 0.27	Input A (Ln 10 * 3 * Ln 8a) / Ln 8d
Service Specific		
Local Service Charges - Usage	\$ -	Input A (((Ln 3a * Ln 4)+ Ln 3b) * Ln 8a) / Ln 8d
<i>Subtotal</i>	<u>\$ 0.56</u>	
Commission	\$ -	
Uncollectibles %	\$ 0.09	Total direct cost * Input A Ln 17
<i>Total Direct Costs per Call</i>	<u>\$ 0.64</u>	Subtotal / (1 - Input A, Ln 16 & Ln 17)

Cost A

5/24/02 4:29 PM

Inmate phones - County Jail Facilities
Local Call Cost Study
Location A

<u>Line</u>	<u>Variables</u>	<u>Input</u>	<u>Source / Explanation</u>
1	Tariffed rates available	Local Service Charges - Flat monthly fee	\$ 52.03 See Analysis Section D.3.1 (Tab D). Documentation is available.
2		Local Service Charges - monthly line charge	See Analysis Section D.3.1 (Tab D). Documentation is available.
3a		Local Service Charges - Usage - average length of call	9.88 See Analysis Section D.2.1 (Tab D). Documentation is available.
3b		Unbillable calls - not accepted; answering machine	See Analysis Section D.2.2 (Tab D). Documentation is available.
4		Local Service Charges - Usage - cost per minute	See Analysis Section D.2.1 (Tab D). Documentation is available.
5		Total Number of Calls (Local & Interstate)	6,440 See Analysis Section D.2.1 (Tab D). Documentation is available.
6	a	Average Number of Calls per month - All Types (excluding unbillable - not accepted)	429 Ln 5 / Ln 7 / 3 months
	b	Unbillable calls - returned by LECs	26 Ln 6 * Ln 18
	c	PBA/DAK Calls	13 Ln 6 * Ln 19
	d	Billable Calls	390 Ln 6a - 6b - 6c
7		# of Lines	5 Location Specific Data
8	a	Service Specific Average Number of Calls per month (excluding unbillable - not accepted)	278 See Analysis Section D.2.1 (Tab D). Documentation is available.
	b	Unbillable calls - returned by LECs	17 Ln 8 * Ln 18
	c	PBA/DAK Calls	9 Ln 8 * Ln 19
	d	Service Specific Billable Calls	252 Ln 8a - 8b - 8c
9		Billing & Collection Fees	\$ 0.257 See Analysis Section D.3.8 (Tab D). Documentation is available.
10		Validation per call	\$ 0.083 See Analysis Section D.3.7 (Tab D). Documentation is available.
11		<Left blank>	
12		Cost of Equipment	\$ 3,941.02 Location Specific Data
13		Depreciation period (# of months)	60.00 Calculated Pursuant to methodology set forth in Third R&O.
14		SG&A Total (monthly cost)	\$ 107.61 Calculated from information provided by IPSPs.
15		Return (profit) %	11.25% Worksheet ROI, Ln 11, Col. A
16		Commission %	0%
17		Uncollectibles %	13.30% Calculated from information provided by IPSPs.
18		Unbillable % - returned by LECs	6.0% Calculated from information provided by IPSPs.
19		Post Billing Adjustment % (PBA) - Denied All Knowledge (DAK)	3.1% Calculated from information provided by IPSPs.

Input A

5/24/02 4:29 PM

Inmate phones - County Jail Facilities
Local Call Cost Study
Location B

Fixed Costs	Cost per Line	Source
Local Service Charges - monthly line charge	\$ 29.49	Input B Ln 2
Maintenance & Repairs	\$ 20.25	Calculated from information provided by IPSPs
Equipment Depreciation	\$ 92.76	Pursuant to methodology set forth in Third R&O
Sales, General & Administration (SG&A)	\$ 107.61	Calculated from information provided by IPSPs
Return (normal profit)	\$ 142.91	Pursuant to methodology set forth in Third R&O.
<i>Subtotal</i>	<u>\$ 393.01</u>	
Commission	\$ -	
Uncollectibles %	\$ 36.51	Total fixed cost * Input A Ln 17
<i>Total Fixed Costs per Line</i>	<u>\$ 429.523</u>	Subtotal / (1 - Input B, Ln 16 & Ln 17)

Incremental Cost	Cost per Billable Call	
Non-Service Specific		
Billing & Collection Fees	\$ 0.133	Input B (Ln 9 * Ln 8a) / Ln 8d
Validation	\$ 0.169	Input B (Ln 10 * 3 * Ln 8a) / Ln 8d
Service Specific		
Local Service Charges - Usage	\$ 0.165	Input B (((Ln 3a * Ln 4)+ Ln 3b) * Ln 8a) / Ln 8d
<i>Subtotal</i>	<u>\$ 0.467</u>	
Commission	\$ -	
Uncollectibles %	\$ 0.043	Total direct cost * Input A Ln 17
<i>Total Direct Costs per Call</i>	<u>\$ 0.511</u>	Subtotal / (1 - Input B, Ln 16 & Ln 17)

Cost B

5/24/02 4:29 PM

Inmate phones - County Jail Facilities
Local Call Cost Study
Location B

<u>Line</u>	<u>Variables</u>	<u>Input</u>	<u>Source / Explanation</u>
1	Local Service Charges - Flat monthly fee		See Analysis Section D.3.1 (Tab D). Documentation is available.
2	Local Service Charges - monthly line charge	\$ 29.49	See Analysis Section D.3.1 (Tab D). Documentation is available.
3a	Local Service Charges - Usage - average length of call	8.36	See Analysis Section D.2.1 (Tab D). Documentation is available.
3b	Unbillable calls - not accepted; answering machine	0.025	See Analysis Section D.2.2 (Tab D). Documentation is available.
4	Local Service Charges - Usage - cost per minute	\$ 0.0159	See Analysis Section D.2.1 (Tab D). Documentation is available.
5	Total Number of Calls (Local & Interstate)	386	See Analysis Section D.2.1 (Tab D). Documentation is available.
6	a Average Number of Calls per month - All Types (excluding unbillable - not accepted)	43 Ln 5 / Ln 7 / 3 months	
	b Unbillable calls - returned by LECs	2 Ln 6 * Ln 18	
	c PBA/DAK Calls	- Ln 6 * Ln 19	
	d Billable Calls	41 Ln 6a - 6b - 6c	
7	# of Lines	3	Location Specific Data
8	a Service Specific Average Number of Calls per month (excluding unbillable - not accepted)	22	See Analysis Section D.2.1 (Tab D). Documentation is available.
	b Unbillable calls - returned by LECs	1 Ln 8 * Ln 18	
	c PBA/DAK Calls	- Ln 8 * Ln 19	
	d Service Specific Billable Calls	21 Ln 8a - 8b - 8c	
9	Billing & Collection Fees	\$ 0.127	See Analysis Section D.3.8 (Tab D). Documentation is available.
10	Validation per call	\$ 0.054	See Analysis Section D.3.7 (Tab D). Documentation is available.
11	<Left blank>		
12	Cost of Equipment	\$ 5,565.67	Location Specific Data
13	Depreciation period (# of months)	60.00	Calculated Pursuant to methodology set forth in Third R&O.
14	SG&A Total (monthly cost)	\$ 107.61	Calculated from information provided by IPSPs.
15	Return (profit) %	11.25%	Worksheet ROI, Ln 11, Col. B
16	Commission %	0%	
17	Uncollectibles %	8.50%	Calculated from information provided by IPSPs.
18	Unbillable % - returned by LECs	3.7%	Calculated from information provided by IPSPs.
19	Post Billing Adjustment % (PBA) - Denied All Knowledge (DAK)	0.4%	Calculated from information provided by IPSPs.

Inmate phones - County Jail Facilities
Local Call Cost Study
Location C

Fixed Costs	Cost per Line	Source
Local Service Charges - monthly line charge	\$ 29.230	Input C Ln 2
Maintenance & Repairs	\$ 20.25	Calculated from information provided by IPSPs
Equipment Depreciation	\$ 122.93	Pursuant to methodology set forth in Third R&O
Sales, General & Administration (SG&A)	\$ 107.61	Calculated from information provided by IPSPs
Return (normal profit)	\$ 189.38	Pursuant to methodology set forth in Third R&O.
<i>Subtotal</i>	<u>\$ 469.39</u>	
Commission	\$ -	
Uncollectibles %	\$ 141.00	Total fixed cost * Input A Ln 17
<i>Total Fixed Costs per Line</i>	<u>\$ 610.39</u>	Subtotal / (1 - Input C, Ln 16 & Ln 17)

Incremental Cost	Cost per Billable Call	
Non-Service Specific		
Billing & Collection Fees	\$ 0.11	Input C (Ln 9 * Ln 8a) / Ln 8d
Validation	\$ 0.17	Input C (Ln 10 * 3 * Ln 8a) / Ln 8d
Service Specific		
Local Service Charges - Usage	\$ 0.15	Input C (((Ln 3a * Ln 4)+ Ln 3b) * Ln 8a) / Ln 8d
<i>Subtotal</i>	<u>\$ 0.43</u>	
Commission	\$ -	
Uncollectibles %	\$ 0.13	Total direct cost * Input A Ln 17
<i>Total Direct Costs per Call</i>	<u>\$ 0.55</u>	Subtotal / (1 - Input C, Ln 16 & Ln 17)

Cost C

5/24/02 4:29 PM

Inmate phones - County Jail Facilities
Local Call Cost Study
Location C

<u>Line</u>	<u>Variables</u>	<u>Input</u>	<u>Source / Explanation</u>
1	Local Service Charges - Flat monthly fee		See Analysis Section D.3.1 (Tab D). Documentation is available.
2	Local Service Charges - monthly line charge	\$ 29.23	See Analysis Section D.3.1 (Tab D). Documentation is available.
3a	Local Service Charges - Usage - average length of call	7.51	See Analysis Section D.2.1 (Tab D). Documentation is available.
3b	Unbillable calls - not accepted; answering machine	0.025	See Analysis Section D.2.2 (Tab D). Documentation is available.
4	Local Service Charges - Usage - cost per minute	\$ 0.0160	See Analysis Section D.2.1 (Tab D). Documentation is available.
5	Total Number of Calls (Local & Interstate)	1,417	See Analysis Section D.2.1 (Tab D). Documentation is available.
6	a Average Number of Calls per month - All Types (excluding unbillable - not accepted)	236 Ln 5 / Ln 7 / 3 months	
	b Unbillable calls - returned by LECs	4 Ln 6 * Ln 18	
	c PBA/DAK Calls	- Ln 6 * Ln 19	
	d Billable Calls	232 Ln 6a - 6b - 6c	
7	# of Lines	2 Location Specific Data	
8	a Service Specific Average Number of Calls per month (excluding unbillable - not accepted)	195	See Analysis Section D.2.1 (Tab D). Documentation is available.
	b Unbillable calls - returned by LECs	4 Ln 8 * Ln 18	
	c PBA/DAK Calls	- Ln 8 * Ln 19	
	d Service Specific Billable Calls	191 Ln 8a - 8b - 8c	
9	Billing & Collection Fees	\$ 0.104	See Analysis Section D.3.8 (Tab D). Documentation is available.
10	Validation per call	\$ 0.056	See Analysis Section D.3.7 (Tab D). Documentation is available.
11	<Left blank>		
12	Cost of Equipment	\$ 7,375.50	Location Specific Data
13	Depreciation period (# of months)	60.00	Calculated Pursuant to methodology set forth in Third R&O.
14	SG&A Total (monthly cost)	\$ 107.61	Calculated from information provided by IPSPs.
15	Return (profit) %	11.25%	Worksheet ROI, Ln 11, Col. C
16	Commission %	0%	
17	Uncollectibles %	23.10%	Calculated from information provided by IPSPs.
18	Unbillable % - returned by LECs	1.9%	Calculated from information provided by IPSPs.
19	Post Billing Adjustment % (PBA) - Denied All Knowledge (DAK)	0.2%	Calculated from information provided by IPSPs.

Input C

5/24/02 4:29 PM

Inmate phones - County Jail Facilities
Local Call Cost Study
Location D

Fixed Costs	Cost per Line	Source
Local Service Charges - monthly line charge	\$ 30.280	Input D Ln 2
Maintenance & Repairs	\$ 20.25	Calculated from information provided by IPSPs
Equipment Depreciation	\$ 207.22	Pursuant to methodology set forth in Third R&O
Sales, General & Administration (SG&A)	\$ 107.61	Calculated from information provided by IPSPs
Return (normal profit)	\$ 319.23	Pursuant to methodology set forth in Third R&O.
<i>Subtotal</i>	<u>\$ 684.59</u>	
Commission	\$ -	
Uncollectibles %	\$ 63.60	Total fixed cost * Input A Ln 17
<i>Total Fixed Costs per Line</i>	<u>\$ 748.18</u>	Subtotal / (1 - Input D, Ln 16 & Ln 17)

Incremental Cost	Cost per Billable Call	
Non-Service Specific		
Billing & Collection Fees	\$ 0.11	Input D (Ln 9 * Ln 8a) / Ln 8d
Validation	\$ 0.18	Input D (Ln 10 * 3 * Ln 8a) / Ln 8d
Service Specific		
Local Service Charges - Usage	\$ 0.13	Input D (((Ln 3a * Ln 4) + Ln 3b) * Ln 8a) / Ln 8d
<i>Subtotal</i>	<u>\$ 0.42</u>	
Commission	\$ -	
Uncollectibles %	\$ 0.04	Total direct cost * Input A Ln 17
<i>Total Direct Costs per Call</i>	<u>\$ 0.46</u>	Subtotal / (1 - Input D, Ln 16 & Ln 17)

Cost D

5/24/02 4:29 PM

Inmate phones - County Jail Facilities
Local Call Cost Study
Location D

<u>Line</u>	<u>Variables</u>	<u>Input</u>	<u>Source / Explanation</u>
1	Local Service Charges - Flat monthly fee		See Analysis Section D.3.1 (Tab D). Documentation is available.
2	Local Service Charges - monthly line charge	\$ 30.28	See Analysis Section D.3.1 (Tab D). Documentation is available.
3a	Local Service Charges - Usage - average length of call	6.39	See Analysis Section D.2.1 (Tab D). Documentation is available.
3b	Unbillable calls - not accepted; answering machine	0.025	See Analysis Section D.2.2 (Tab D). Documentation is available.
4	Local Service Charges - Usage - cost per minute	\$ 0.0163	See Analysis Section D.2.1 (Tab D). Documentation is available.
5	Total Number of Calls (Local & Interstate)	325	See Analysis Section D.2.1 (Tab D). Documentation is available.
6	a Average Number of Calls per month - All Types (excluding unbillable - not accepted)	108 Ln 5 / Ln 7 / 3 months	
	b Unbillable calls - returned by LECs	4 Ln 6 * Ln 18	
	c PBA/DAK Calls	- Ln 6 * Ln 19	
	d Billable Calls	104 Ln 6a - 6b - 6c	
7	# of Lines	1 Location Specific Data	
8	a Service Specific Average Number of Calls per month (excluding unbillable - not accepted)	45	See Analysis Section D.2.1 (Tab D). Documentation is available.
	b Unbillable calls - returned by LECs	2 Ln 8 * Ln 18	
	c PBA/DAK Calls	- Ln 8 * Ln 19	
	d Service Specific Billable Calls	43 Ln 8a - 8b - 8c	
9	Billing & Collection Fees	\$ 0.104	See Analysis Section D.3.8 (Tab D). Documentation is available.
10	Validation per call	\$ 0.056	See Analysis Section D.3.7 (Tab D). Documentation is available.
11	<Left blank>		
12	Cost of Equipment	\$ 12,433.00	Location Specific Data
13	Depreciation period (# of months)	60.00	Calculated Pursuant to methodology set forth in Third R&O.
14	SG&A Total (monthly cost)	\$ 107.61	Calculated from information provided by IPSPs.
15	Return (profit) %	11.25%	Worksheet ROI, Ln 11, Col. D
16	Commission %	0%	
17	Uncollectibles %	8.50%	Calculated from information provided by IPSPs.
18	Unbillable % - returned by LECs	3.7%	Calculated from information provided by IPSPs.
19	Post Billing Adjustment % (PBA) - Denied All Knowledge (DAK)	0.4%	Calculated from information provided by IPSPs.

Input D

5/24/02 4:29 PM

Inmate phones - County Jail Facilities
Local Call Cost Study
Location E

Fixed Costs	Cost per Line	Source
Local Service Charges - monthly line charge	\$ 44.55	Input E Ln 1
Maintenance & Repairs	\$ 49.14	Calculated from information provided by IPSPs
Equipment Depreciation	\$ 39.25	Pursuant to methodology set forth in Third R&O
Sales, General & Administration (SG&A)	\$ 107.61	Calculated from information provided by IPSPs
Return (normal profit)	\$ 60.46	Pursuant to methodology set forth in Third R&O.
<i>Subtotal</i>	<u>\$ 301.01</u>	
Commission	\$ -	
Uncollectibles %	\$ 27.96	Total fixed cost * Input A Ln 17
<i>Total Fixed Costs per Line</i>	<u>\$ 328.97</u>	Subtotal / (1 - Input E, Ln 16 & Ln 17)

Incremental Cost	Cost per Billable Call	
Non-Service Specific		
Billing & Collection Fees	\$ 0.13	Input E (Ln 9 * Ln 8a) / Ln 8d
Validation	\$ 0.17	Input E (Ln 10 * 3 * Ln 8a) / Ln 8d
Service Specific		
Local Service Charges - Usage	\$ -	Input E (((Ln 3a * Ln 4)+ Ln 3b) * Ln 8a) / Ln 8d
<i>Subtotal</i>	<u>\$ 0.30</u>	
Commission	\$ -	
Uncollectibles %	\$ 0.03	Total direct cost * Input A Ln 17
<i>Total Direct Costs per Call</i>	<u>\$ 0.33</u>	Subtotal / (1 - Input E, Ln 16 & Ln 17)

Cost E

5/24/02 4:29 PM

Inmate phones - County Jail Facilities
Local Call Cost Study
Location E

<u>Line</u>	<u>Variables</u>	<u>Input</u>	<u>Source / Explanation</u>
1	Tariffed rates available	Local Service Charges - Flat monthly fee	\$ 44.55 See Analysis Section D.3.1 (Tab D). Documentation is available.
2		Local Service Charges - monthly line charge	See Analysis Section D.3.1 (Tab D). Documentation is available.
3a		Local Service Charges - Usage - average length of call	7.15 See Analysis Section D.2.1 (Tab D). Documentation is available.
3b		Unbillable calls - not accepted; answering machine	See Analysis Section D.2.2 (Tab D). Documentation is available.
4		Local Service Charges - Usage - cost per minute	See Analysis Section D.2.1 (Tab D). Documentation is available.
5		Total Number of Calls (Local & Interstate)	14,088 See Analysis Section D.2.1 (Tab D). Documentation is available.
6	a	Average Number of Calls per month - All Types (excluding unbillable - not accepted)	235 Ln 5 / Ln 7 / 3 months
	b	Unbillable calls - returned by LECs	9 Ln 6 * Ln 18
	c	PBA/DAK Calls	1 Ln 6 * Ln 19
	d	Billable Calls	225 Ln 6a - 6b - 6c
7		# of Lines	20 Location Specific Data
8	a	Service Specific Average Number of Calls per month (excluding unbillable - not accepted)	126 See Analysis Section D.2.1 (Tab D). Documentation is available.
	b	Unbillable calls - returned by LECs	5 Ln 8 * Ln 18
	c	PBA/DAK Calls	1 Ln 8 * Ln 19
	d	Service Specific Billable Calls	120 Ln 8a - 8b - 8c
9		Billing & Collection Fees	\$ 0.127 See Analysis Section D.3.8 (Tab D). Documentation is available.
10		Validation per call	\$ 0.054 See Analysis Section D.3.7 (Tab D). Documentation is available.
11		<Left blank>	
12		Cost of Equipment	\$ 2,354.75 Location Specific Data
13		Depreciation period (# of months)	60.00 Calculated Pursuant to methodology set forth in Third R&O.
14		SG&A Total (monthly cost)	\$ 107.61 Calculated from information provided by IPSPs.
15		Return (profit) %	11.25% Worksheet ROI, Ln 11, Col. E
16		Commission %	0%
17		Uncollectibles %	8.50% Calculated from information provided by IPSPs.
18		Unbillable % - returned by LECs	3.7% Calculated from information provided by IPSPs.
19		Post Billing Adjustment % (PBA) - Denied All Knowledge (DAK)	0.4% Calculated from information provided by IPSPs.

Input E

5/24/02 4:29 PM

Inmate phones - County Jail Facilities
Local Call Cost Study
Location F

Fixed Costs	Cost per Line	Source
Local Service Charges - monthly line charge	\$ 55.73	Input F Ln 1
Maintenance & Repairs	\$ 49.14	Calculated from information provided by IPSPs
Equipment Depreciation	\$ 66.92	Pursuant to methodology set forth in Third R&O
Sales, General & Administration (SG&A)	\$ 107.61	Calculated from information provided by IPSPs
Return (normal profit)	\$ 103.10	Pursuant to methodology set forth in Third R&O.
<i>Subtotal</i>	<u>\$ 382.50</u>	
Commission	\$ -	
Uncollectibles %	\$ 58.68	Total fixed cost * Input A Ln 17
<i>Total Fixed Costs per Line</i>	<u>\$ 441.18</u>	Subtotal / (1 - Input F, Ln 16 & Ln 17)

Incremental Cost	Cost per Billable Call	
Non-Service Specific		
Billing & Collection Fees	\$ 0.28	Input F (Ln 9 * Ln 8a) / Ln 8d
Validation	\$ 0.27	Input F (Ln 10 * 3 * Ln 8a) / Ln 8d
Service Specific		
Local Service Charges - Usage	\$ -	Input F (((Ln 3a * Ln 4)+ Ln 3b) * Ln 8a) / Ln 8d
<i>Subtotal</i>	<u>\$ 0.56</u>	
Commission	\$ -	
Uncollectibles %	\$ 0.09	Total direct cost * Input A Ln 17
<i>Total Direct Costs per Call</i>	<u>\$ 0.64</u>	Subtotal / (1 - Input F, Ln 16 & Ln 17)

Cost F

5/24/02 4:29 PM

Inmate phones - County Jail Facilities
Local Call Cost Study
Location F

<u>Line</u>	<u>Variables</u>	<u>Input</u>	<u>Source / Explanation</u>
1	Tariffed rates available	Local Service Charges - Flat monthly fee	\$ 55.73 See Analysis Section D.3.1 (Tab D). Documentation is available.
2		Local Service Charges - monthly line charge	See Analysis Section D.3.1 (Tab D). Documentation is available.
3a		Local Service Charges - Usage - average length of call	8.61 See Analysis Section D.2.1 (Tab D). Documentation is available.
3b		Unbillable calls - not accepted; answering machine	See Analysis Section D.2.2 (Tab D). Documentation is available.
4		Local Service Charges - Usage - cost per minute	See Analysis Section D.2.1 (Tab D). Documentation is available.
5		Total Number of Calls (Local & Interstate)	6,924 See Analysis Section D.2.1 (Tab D). Documentation is available.
6	a	Average Number of Calls per month - All Types (excluding unbillable - not accepted)	462 Ln 5 / Ln 7 / 3 months
	b	Unbillable calls - returned by LECs	28 Ln 6 * Ln 18
	c	PBA/DAK Calls	14 Ln 6 * Ln 19
	d	Billable Calls	420 Ln 6a - 6b - 6c
7		# of Lines	5 Location Specific Data
8	a	Service Specific Average Number of Calls per month (excluding unbillable - not accepted)	400 See Analysis Section D.2.1 (Tab D). Documentation is available.
	b	Unbillable calls - returned by LECs	24 Ln 8 * Ln 18
	c	PBA/DAK Calls	12 Ln 8 * Ln 19
	d	Service Specific Billable Calls	364 Ln 8a - 8b - 8c
9		Billing & Collection Fees	\$ 0.257 See Analysis Section D.3.8 (Tab D). Documentation is available.
10		Validation per call	\$ 0.083 See Analysis Section D.3.7 (Tab D). Documentation is available.
11		<Left blank>	
12		Cost of Equipment	\$ 4,015.40 Location Specific Data
13		Depreciation period (# of months)	60.00 Calculated Pursuant to methodology set forth in Third R&O.
14		SG&A Total (monthly cost)	\$ 107.61 Calculated from information provided by IPSPs.
15		Return (profit) %	11.25% Worksheet ROI, Ln 11, Col. F
16		Commission %	0%
17		Uncollectibles %	13.30% Calculated from information provided by IPSPs.
18		Unbillable % - returned by LECs	6.0% Calculated from information provided by IPSPs.
19		Post Billing Adjustment % (PBA) - Denied All Knowledge (DAK)	3.1% Calculated from information provided by IPSPs.